

City of Riverside

# Mayor's Home Ownership Task Force

March 27 to June 30, 2002

Final Report – June 21, 2002

By Andy McCue  
McCue & Associates  
4025 Beechwood Pl.  
Riverside, CA 92506  
(909) 787-4954  
agmccue44@earthlink.net

# Executive Summary

The 2000 Census revealed that only 54% of Riverside's housing units were occupied by their owners. Coupled with statistics showing rising numbers of children eligible for school lunch programs and falling household incomes, these trends raised the specter that Riverside could lose its status as a middle-class city.

Mayor Ronald O. Loveridge put together a citizens' task force to examine ideas to raise the percentage of homeowner occupancy in the city as a way to reinforce civic commitment and insure Riverside remains a well-balanced community of economic opportunity, diversity, good neighborhoods and stable institutions.

Over the course of three months, the task force broke into five committees, did research, listened to speakers and came up with 39 recommendations and some additional areas of concern.

Many of the 39 specific recommendations fell into a few broad categories:

Infill - The city is underutilizing a tremendous asset for creating affordable, single-family homes. The city has over 2,700 residentially zoned lots (1,800 of one acre or less) scattered through the city in already developed neighborhoods. These lots could be turned into housing without placing tremendous strain on city services because sewers, parks, utility poles and other infrastructure are already in place.

The major barrier to such development is a thicket of city fees and regulations that push up costs to a level where only expensive housing makes sense to a developer. City fees are charged for infrastructure built and paid for decades ago. Engineering plans designed to deal with hillside slippage problems are required for flat spaces in established neighborhoods. These additional costs are added to a project where a developer has already lost the economies of scale available to a competing developer who can create a building assembly line in a new tract at the edge of town..

Fees for such building should be eliminated for small developments and sharply reduced for developments on 5 to 25 housing units. Other city requirements should be reduced or eliminated to encourage infill development.

Marketing – Over the course of the three months, task force members came up with a number of what they thought were innovative ideas only to discover such a program was already in place. But too few people knew about it.

The city should hire a marketing director to coordinate and do creative work for the city's marketing efforts – whether by Development, Utilities, the Office of Neighborhoods or whoever. This would ensure a uniform message and develop a series of contacts and channels to ensure messages about housing, or any other city initiative, are delivered to the right audience.

As part of a more aggressive marketing effort, the city's website should be redesigned. With the current design, a resident desiring information about housing has to wade through a number of pages which feature neither the word housing nor any clear pointers that would take them to those pages.

Federal rules – Many otherwise worthwhile programs, administered by the city with federal money, are made ineffective by federal regulations which are not designed for the housing conditions and prices of Southern California.

Many programs, for example, limit their money to households making less than 80% of median income, which is about \$40,000 in Riverside. Given the price of houses in Southern California, a household taking in less than 80% of the median income is likely to have a hard time making the monthly mortgage payment even if they have received a great deal of help with the down payment.

The city should work with its federal representatives to change these rules for high-housing-cost regions, and it should encourage Riverside County, other cities and organizations such as the Western Riverside Council of Governments to add their voices in approaching federal representatives.

Housing issues are a problem deeply woven into the fabric of our city, region, state and country. There is no magic bullet. Instead, there are numerous, and often inter-related, small and medium-sized ways to move towards a more equitable housing market featuring diversity of housing styles, neighborhoods and financing options.

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## **The Goal**

Tree-lined streets and historic structures such as the Mission Inn make it easy to see Riverside as a stable city. Started in 1870 and incorporated in 1883, the city was an agricultural service town tinged with the culture of its Anglophile founders and with all the pleasures of a small, separate city. After World War II, the growing Southern California megalopolis - spreading outward from Los Angeles and Orange counties – gradually engulfed the city. Throughout these decades, whether as small city or suburb, Riverside remained a bastion of middle class life, a city where a substantial portion of our residents were committed both to its present and its future.

Today, Riverside is a city undergoing substantial changes.

In our schools, 51% of children in the Alvord Unified School District are eligible for free or reduced-price meal programs. In the Riverside Unified School District, the number is 48%, with the lower grades having substantially higher percentages than in the high schools. A third of the students in Alvord Unified and a sixth in Riverside Unified come from homes where English isn't the basic language. While the vast majority of these homes use Spanish, the spread covers more than 50 languages.

The median income in the city, after adjusting for inflation, fell during the 1990s, as did the percentage of city residents who were high school graduates.

One of most disturbing numbers in the 2000 census was that only 54 percent of the housing units in the city were occupied by the owners. Nationally, 68 percent of housing units were owner-occupied. A city's strength is defined not merely by a strong, balanced economy, but by residents who feel that their individual futures and the future of the city are intertwined. These people are highly likely to be homeowners.

A low percentage of home ownership points to the decline of the city as a middle class haven. It points to a city where people are less likely to commit to its future. They are less likely to vote, less likely to fight to improve their children's schools, to devote time to service clubs and Little Leagues, and to do all the things small and large which keep a community socially and economically viable.

National crime statistics demonstrate a strong link between rental units and crime, especially property crimes. Renters were twice as likely to have their car stolen and 85% more likely to have their property burgled than owners.<sup>1</sup> Children of renters are more likely to be moved from school to school, slowing down learning and lowering the school performance statistics at whatever school has them when testing comes around.<sup>2</sup>

In his State of the City Address on January 31, 2002, Riverside Mayor Ronald O. Loveridge listed increasing homeowner occupancy from 54% to 60% as a major civic goal. If we are to keep Riverside a city with a strong backbone of middle-class families, increasing home ownership is essential.

# **Organization and Methodology**

Mayor Ronald O. Loveridge conceived of the Housing Task Force, recruited its volunteer members and first brought it together on March 27, 2002. He charged the group with producing a focused body of ideas to promote home ownership within 90 days. The full Task Force subsequently met on April 24, May 29 and June 19, 2002. In the gaps between first three meetings, the Task Force broke into committees to develop ideas and pursue research in five critical areas. At the April 24 Meeting, each committee chair reported progress to the full group. At the May 29 meeting, final committee reports were received and the ideas included in this final report were discussed and adopted.

After the May 29 meeting, Andy McCue drafted a report based on the Task Force discussions. That was presented to the June 19 meeting for review and revision. McCue then prepared this final report.

## **The Committees**

### **City Programs:**

Scope: To examine non-financial, home-ownership-related programs of the City of Riverside - such as code enforcement, registration programs and police powers.

#### Members:

Debi Terwilliger, chair, Sales Representative, North American Title Co.  
Pete Esquivel, Lieutenant, Riverside Police Department  
Ed Flores, Operations Specialist, U.S. Department of Housing and Urban Development  
Bruce Kulpa, Executive Director, Riverside Housing Development Corp.  
Lee Qualls, Chase Manhattan Mortgage Corporation  
Tranda Drumwright, Housing, Neighborhood and Community Development Manager, City of Riverside (City staff)  
Erin Comstock, Project Assistant (Housing), City of Riverside (City staff)  
Andy McCue (McCue & Associates, Task Force staff)

### **Finance:**

Scope: To examine home-financing programs made available both through the private sector and through federal, state, county and city programs.

#### Members:

Francis Baum, chair, Partner, Best, Best & Krieger  
Ed Flores, Operations Specialist, U.S. Department of Housing and Urban Development  
Vicki Lynes, Senior Vice President, Bank of America  
Barbara Moore, Broker/Manager, Century 21 Lois Lauer Realty  
Barbara Robinson, Executive Vice President, Bank of America  
Juan Santos, Vice President, Commercial Lending, Inland Empire National Bank  
Lou Shepard, Executive Director, Riverside-San Bernardino Housing Finance Agency  
Pat Whitney, Vice President, Bank of America  
Erin Comstock, Project Assistant (Housing), City of Riverside (City staff)  
Andy McCue (McCue & Associates, Task Force staff)

**Infill:**

Scope: Examine the possibilities for encouraging infill housing in the city.

**Members:**

Nick Tavaglione, chair, Tavaglione Construction

Mike Conway, Mike Conway Realty

Nancy Hart, Councilwoman, Ward Six

Toby Holmes, Executive Director, Riverside Community Online

Bruce Kulpa, Executive Director, Riverside Housing Development Corp

Frank Schiavone, Councilman, Ward 4

Debi Terwilliger, Sales Representative, North American Title Co.

Patty Williams, Executive Director, Habitat for Humanity (Riverside)

Joel Belding, Planning Department, City of Riverside (City staff)

Andy McCue (McCue & Associates, Task Force staff)

**Marketing:**

Scope: To examine and improve the programs for marketing the City of Riverside to potential homebuyers

**Members:**

Eva Webster, chair, Office of Neighborhoods, City of Riverside

Laurene Bryden, Principal, Bryant Elementary School

Rose Mayes, Executive Director, Fair Housing Council of Riverside County

Ricki McManuis, Marketing, Riverside County's Credit Union

Barbara Moore, Broker/Manager, Century 21 Lois Lauer Realty

Andy McCue (McCue & Associates, Task Force staff)

**New Projects**

Scope: To examine the possibilities for increasing home ownership by encouraging new tracts around the edges of the city and in sphere of influence lands, and to stimulate condominium projects in older neighborhoods.

**Members:**

Pete Esquivel, chair, Lieutenant, Riverside Police Department

Chuck Beaty, Councilman, Ward 1

Toby Holmes, Executive Director, Riverside Community Online

Neil Okazaki, Attorney, Roth & Roth

Joel Belding, Planning Department, City of Riverside (City staff)

Andy McCue (McCue & Associates, Task Force staff)

Task Force member Nancy Melendez participated in full Task Force meetings, as did Mayor Ronald O. Loveridge.

## **Background numbers**

The 2000 Federal Census reports there were 85,974 housing units – apartments, condominiums and houses – in Riverside. Of those, 46,455, or 54%, were occupied by their owners. Of the 13 cities in western Riverside County, only Beaumont, at 49%, had a lower percentage of owner occupancy. Of the 15 cities in the Los Angeles basin portion of San Bernardino County, only Colton, Loma Linda and San Bernardino itself had lower percentages.

As the presence of Loma Linda on the list above would indicate, university towns are prone to have lower percentages of owner occupancy because of the large number of students in the community. While California Baptist University and Loma Linda University house virtually all of their students themselves, the University of California Riverside provides housing for barely a quarter of its student population of 14,000.

However, even if allowances are made for the student population and other apartment dwellers, Riverside's owner occupancy numbers still compare poorly to those of other inland cities.

The California Department of Finance 2000 survey found 57,889 single-family housing units in the city. Dividing this number into the Census Department's 46,455 owner-occupied, single-family units indicates that approximately 80 percent of the single-family housing in the city is occupied by its owner. The number is approximate because the Census Bureau and the Department of Finance use slightly different methodologies in counting dwelling units. However, the different methodologies produced a discrepancy of barely one-half of one percentage point in the numbers of overall housing units so mixing the numbers seems appropriate for approximation purposes.

While 80% owner occupancy certainly appears better than 54%, Riverside fares little better when compared with other cities in the region. Riverside ranks 10<sup>th</sup> of the 13 cities in western Riverside County and would place between the 11<sup>th</sup> and 12<sup>th</sup> cities of the 15 cities in the Los Angeles basin portion of San Bernardino County.

These numbers must be placed in the context of Southern California, one of the most expensive housing markets in the United States. The median priced existing home in the city of Riverside sold for \$189,000 in the first quarter of this year. For a new home here, the median was \$261,500. Fewer than half the people in Riverside and San Bernardino counties can afford to buy the median priced house, according to the California Association of Realtors. Almost 60% of Riverside's households have incomes under \$50,000, according to 2000 census figures, and those income levels make it difficult to afford a \$200,000 house, even with down payment assistance.

The Riverside Housing market is also affected by the growing Hispanic population of the city – reaching 38% during the 2000 census. The recent immigrant portion of the Hispanic community is less likely to be familiar with the home buying process and the intricacies of the escrow process or mortgage insurance. Fostering home ownership will require a strong educational effort.

When Task Force research began, it was assumed that we would find single-family housing rentals would be concentrated in the city's low-income neighborhoods. That proved to be a false assumption. In fact, rented single-family homes were spread



widely around the city, according to figures developed by the city's Planning Department. The neighborhoods with the highest rental percentages – in order – were Magnolia Center, Downtown, Wood Streets, Airport and Eastside. One indication of how widespread the problem is appears in Presidential Park, the neighborhood bounded roughly by Highway 91, Victoria Avenue and Jackson and Jefferson streets. It is made up almost exclusively of single family homes, many of them clustered around Arlington High School and Don Derr Park. The neighborhood is to all appearances solidly middle class. Yet, 40% of its housing units are occupied by renters.

## **General ideas**

Several ideas surfaced in more than one of the Task Force's committees and at least one is such a foundation idea that it deserves to be addressed separately.

### **Density**

Riverside is running out of undeveloped land.

The larger tracts of undeveloped land that do exist have been spoken for. Industrial and office developments will dominate Hunter Park, Sycamore Canyon and Canyon Springs, bringing much needed, high-skill, high-paying jobs to the city.

The Greenbelt area has restrictions on land use that make it unlikely it can be developed in the near future either as a significant source of jobs or housing for the city. The La Sierra Hills and other areas are likely to prove too steep for more than piecemeal development, although Rancho La Sierra points to the possibilities.

The residents of areas within the city's sphere of influence that are marked for annexation, such as Woodcrest, have made it clear that they want to preserve large lot sizes.

At the same time, state government is contemplating several initiatives to stop suburban sprawl, mostly by withholding state funds from cities which do not agree to higher density levels. These inevitably will put pressure on cities to use land within their boundaries more efficiently.<sup>3</sup>

Part of creating a higher percentage of home ownership will be accepting greater density within our city limits. Vacant lots will disappear in favor of houses. Some neighborhoods, starting with downtown, could be the site of condominium or townhome developments.

While the idea of density has been met with skepticism or resistance by some residents – the real question is not density itself, but the quality with which denser projects are designed and built. The Riverwalk development, near La Sierra University, shows more housing units can be built in a given amount of land without creating a crowded feeling. Use of landscaping, well-designed common areas and small parks can all contribute to a feeling of space.

As areas, whether Manhattan Island or downtown Riverside, run out of land, they inevitably become more expensive and, therefore, require more efficient uses to justify their prices. With less land, we will have to use it more efficiently, whether by filling in empty lots or by building condominiums, townhouses or other developments which allow more people to live on the same amount of land while retaining the civic commitment of ownership.

## Specific ideas

### The City

#### **Infill**

Riverside has over 2,700 residentially zoned lots sitting empty. Scattered throughout the city, over 1,800 of these lots cover one acre or less. They are a prime civic housing asset, but many have been turned into informal trash dumps and weed farms. In a city starved for land on which to build new housing, the city cannot afford to let this land lie fallow.

Development of these lots – both by for-profit developers and by groups such as Habitat for Humanity and the Riverside Housing Development Corp. – has been constrained by the city's fee structure.

The city's current fee structure treats an infill lot as if it is a former lemon grove on the edge of the city. Yet, they are profoundly different. In the former lemon grove, the fees would be used for the necessary work of constructing sewer and water lines, putting in electric power connections and providing parks and other city services. In the established neighborhoods where infill lots exist, that city infrastructure is already in place.

At the same time, a developer's costs for infill development are higher. Many lots are of odd sizes or configurations, necessitating innovative layouts and designs. Not as many houses can be built on a lot so economies of scale in buying lumber, hiring subcontractors and designing the work flow are not available.

In effect, by removing or lowering fees, the city would be enabling houses to be built on infill lots that are price-competitive with those in new neighborhoods. In many cases, lower fees would allow these houses to be priced more affordably than many in newer neighborhoods. More infill building is also likely to increase the city's supply of smaller homes. Both of these factors will increase the number of affordable homes available in the city. It will also result in the removal of the informal trash dumps that lower the value of surrounding homes and decrease the desirability of neighborhoods.

1. We envision a three-level fee structure to aid infill housing.

**A. Traditional Infill** will be charged the absolutely minimal amount of fees. It will be defined as developments of four or fewer single-family residences on property currently zoned for residential use which meet both of the following criteria:

1) The infill lot is adjacent to a lot served by existing sewer, water and power lines.

2) The property is located in one of the following city neighborhoods: Northside, Hunter Industrial Business Park, Downtown, Eastside, Grand, Wood Streets, Airport, Magnolia Center, Victoria, Sycamore Canyon/Canyon Springs, Mission Grove, Orangecrest, Ramona, Casa Blanca, Presidential Park, Arlanza, Arlington, Arlington South, La Sierra Acres, La Sierra Hills, La Sierra and La Sierra South.

B. **Subdivision Infill** will be charged the minimal fees consistent with the additional impact the project has on the city's infrastructure. Subdivision projects are large enough that they are likely to cause new costs for the city. For example, a 20-home development is located on a lot adjacent to city services and costs the city little to add the necessary sewer lines. However, the addition of 80 or so additional residents to the city creates additional demand on the city's sewage treatment facilities, which could be mitigated by fees. Subdivision infill will be defined as subdivision developments whose master plan contains from 5 to 25 single-family residences on land currently zoned for residential use with the same geographic limitations as the traditional infill definition.

C. Anything else will be charged under the city's normal fee structure.

City Council will determine whether infill rules can apply to areas annexed to the city.

Here is an example of a possible fee structure for a 1,458-square-foot house as envisioned by the task force. SFR means single-family residence.

	CURRENT FEES  (All SFR's)	PROPOSED FUTURE FEES		
		Traditional Infill	Subdivision Infill	Non- Infill
<b><u>Permits &amp; Fees</u></b>				
Local Park Fees	\$2,922.00	\$0.00	\$1,461.00	\$2,922.00
Regional Park Fees	\$456.30	\$0.00	\$228.15	\$456.30
School Fees	\$3,280.50	\$3,280.50	\$3,280.50	\$3,280.50
Sewer Connection Fee	\$2,684.00	\$100.00	\$1,342.00	\$2,684.00
Sewer Unit of Benefit Fees	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Fee	\$525.00	\$0.00	\$262.50	\$525.00
Traffic Signal Fee	\$190.00	\$0.00	\$95.00	\$190.00
Water Backup Fee	\$2,110.00	\$0.00	\$1,055.00	\$2,110.00
Water Elevation Fee	\$0.00	\$0.00	\$0.00	\$0.00
Water Distribution Fee	\$2,150.00	\$0.00	\$1,075.00	\$2,150.00
Water Service Lateral/Meter	\$1,010.00	\$100.00	\$505.00	\$1,010.00
Building Plan Check Fee	\$741.95	\$741.95	\$741.95	\$741.95
Street Tree Plan Check	\$72.88	\$72.88	\$72.88	\$72.88
Building Permit	\$1,020.00	\$1,020.00	\$1,020.00	\$1,020.00
Grading Permit	\$308.00	\$308.00	\$308.00	\$308.00
Offsite Permit	\$0.00	\$0.00	\$0.00	\$0.00
Electric Service Fee	\$3,781.00	\$100.00	\$1,890.50	\$3,781.00
Site Improvement Bond	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL</b>	<b>\$21,251.63</b>	<b>\$5,723.33</b>	<b>\$13,337.48</b>	<b>\$21,251.63</b>

\* Require that all housing units which are defined as infill projects remain owner-occupied.

A builder who takes advantage of the infill definition to pay lower city development fees would be required to sell the housing unit to an owner-occupant, or to pay the full fees. Any subsequent owner could not convert the unit to a rental without paying the full fees. This idea surfaced late in the process and no consensus emerged among Task Force members.

## Fees and processes

2. Reinforce the city's current program to streamline and rationalize the permit system.

Riverside has developed a reputation with the development community as a difficult place to do business. There is, unfortunately, much to base that reputation on.

An initiative led by Deputy City Manager Michael Beck has been working on this complicated issue for almost two years and is in the midst of implementing a program to upgrade the hardware, software and system design of the permitting process, as well as rationalizing fees.

The Task Force feels the city should continue to give its full support to the successful completion of this initiative.

3. Create a set-aside or in-lieu affordable housing fee for developers of new tracts.

One of the city's problems is a lack of affordable housing, a problem exacerbated by the city's household income figures.

Several California cities have dealt with this problem by requiring developers to include an affordable-housing component within any sizable development. This has the affect of retarding the growth of neighborhoods strictly segregated by income levels. Alternatively, the developer can choose to continue to target his community at one price level and pay the city a fee in lieu of providing affordable housing. That in-lieu fee can then be used by the city to fund various affordable housing programs.

The city should examine such a program. Cities such as San Diego, Palo Alto, Santa Monica and Davis provide possible models for structuring such an affordable housing requirement or in-lieu payments.

To streamline the permitting process, the city should adopt the following policies:

4. If a builder can present a building plan certified by a licensed architect that the design of an infill house is identical to one approved earlier, the plan will be automatically certified by the Building and Safety Department.

5. If the builder can present a precise grading plan prior to final inspection on a lot where the slope of the pad on which the house will be built is at least 1% but no more than 4%, then no grading plan will be required.

6. Structural engineering certificates will not be required on any single-story house of 2,000 square feet or less.



## Code Compliance and enforcement

### 7. Stricter code compliance enforcement

Many of Riverside's neighborhoods consist of older housing stock. This may be a Victorian built a century ago or a postwar tract house built in the 1950s. The housing industry's rule of thumb is that when houses hit 30, they begin to show signs of deterioration. Maintenance efforts must be stepped up. Significant reinvestment must be made in some cases. Approximately two-thirds of the city's housing stock is 30 years old or older.<sup>4</sup>

Deteriorating housing leads to deteriorating neighborhoods, deteriorating property values, deteriorating crime rates and all the other ills of poor neighborhoods.

Code enforcement is the city's main weapon to prevent such deterioration. It should be pushed not merely for the basic health and safety reasons that drive much current code enforcement, but to protect neighborhood values – both financial and social. It should be pushed to ensure that both resident-owners and landlords have the same level of commitment to neighborhood and city.

The City will be greatly aided in this effort by the new Exterior Structure Maintenance Ordinance, but it should be more aggressive in using various enforcement tools to clean up problem properties and perhaps make them available to single-family home buyers. Such tactics could include boarding up homes with health and safety violations, seizing properties where crimes have been committed, turning off utilities where the bills have not been paid and using judicial foreclosure on code compliance issues. These tactics are all used now, but they should be used more often. The Development Department is working with Code Enforcement on a system for tracking properties with multiple, egregious code violations and the Task Force supports this effort.

## Annexation

### 8. Encourage annexation

Annexing areas within the city's sphere of influence will improve the percentage of owner-occupied housing and provide other economic benefits that will encourage Riverside's continuation as a middle class community.

Given their location, topography and current usage patterns, sphere of influence areas are highly likely to be developed for single-family housing. And, being new single-family housing, these houses are highly likely to be occupied by their owners.

Residents in most of these areas, notably Woodcrest, have indicated a desire to maintain large lot sizes, which will reduce density. This desire should be honored. The city needs to have all kinds of neighborhoods and all kinds of amenities to give residents the quality of life they desire. Neighborhoods of newer housing, with room for horses or other special features, will attract wealthier residents to the city, raising the local income level and creating demand for more upscale retail establishments, restaurants and other services that can be enjoyed by all residents.

## Other Housing projects

The city should take various measures to encourage new kinds of housing in the city.

9. The city should create a new zoning category of high-density residential for attached or mixed-use developments, especially along the Market/Magnolia corridor. But this zoning should also be available elsewhere in developed areas of the city.

This would encourage the creation of buildings where a businessperson could offer their product or service in the street-level portion while living upstairs. It might also bring forward other innovative ideas.

10. The city should encourage condominium development by offering incentives to the first developer willing to try out the concept.

Condominiums are an attractive alternative for certain classes of people who are not well-served by the current housing mix. Younger or older people who want the financial benefits of home ownership without yard-maintenance issues, people who want a more urban feel to their residence, older people whose housing needs are reduced because their children have left the nest – all of these are groups which would be interested in condominiums.

Downtown condominiums would also serve other civic interests by providing foot traffic for downtown businesses and creating a public presence to help reduce crime.

11. Owners of underutilized retail acreage in the city should be encouraged to seek to convert their properties to residential zoning and development.

The volume of retail space in the city of Riverside is out of proportion to the needs of the populace. Strip centers all over the city are partially full or full of marginal tenants. The city should identify such centers and encourage the owners, perhaps financially, to convert their land to residential use, perhaps in mixed development such as those envisioned in Suggestion 9.

12. The City Council and the City Attorney should be more willing to use eminent domain on private residences to clear the way for residential projects.

While not a tactic that should be used frequently, there are occasions when the citywide benefits of a project should outweigh a property owner's right to hang on to a piece of land. Certain housing projects, especially high-density housing in the downtown area, could be such an occasion.

## Marketing

Again and again, the Task Force's various committees came up with what they thought were excellent and innovative proposals to increase home ownership in the city only to find that such a program already existed. Again and again, the problem was that not enough people knew about it.

The problem covers not only city programs, but private sector housing programs as well as knowledge about the city and its attractions as a place to live and buy a home.



13. The city should have a marketing director.

A marketing director, probably in the Development Department but perhaps a staff person assigned directly to the City Manager's office, would coordinate the complementary messages for the city's various departments and provide creative services for the city's marketing efforts. The director would also be responsible for working with private sector groups, community groups and others to coordinate marketing efforts, especially in housing.

14. More aggressive marketing by the city

Part of the marketing director's duties would be more aggressive marketing of all the city's available programs. The city has numerous programs, from the Mission Village Down Payment Assistance Program, recently extended citywide, to programs for home improvement rebates and lease-purchase agreements. It is working with the state to launch the CalHome mortgage assistance program.

Yet, these programs are often not familiar to Realtors or potential home buyers. The city should take advantage of Realtor groups, Riverside Partners in Home Ownership, the Fair Housing Council of Riverside County and other industry and community groups which can help them spread the word.

Cooperative programs in which the city would make its housing materials available to private sector lenders while passing those lenders materials on to the city's contacts in the real estate community also should be explored.

City agencies should also continue to expand marketing efforts for its staff and other public employees. Home-buying programs are offered by the Public Employees Retirement System, the State Teachers Retirement System and there is a new program for sworn public safety officers offered by the federal Housing and Urban Development Department. This marketing can be done through employee newsletters and paycheck envelopes.

15. Make housing information easier to find on city website

The City website should be a prime source of information about city housing programs. But, as currently configured, it takes a Christopher Columbus to find this information. A person looking for housing information would have to figure out that the first link is City Departments, then Development Department and only after that link would that person see the magic word housing. The Website assumes the user understands the city's organization and its function. Such is often not the case, especially among lower-income residents. The site needs to be redesigned to respond to the kinds of questions residents are likely to bring to the site, questions such as housing, police, trash, building permits, etc. These should be reflected on the first page. An example of such a design is the U.S. Housing and Urban Development Department home page (<http://www.hud.gov>) which easily leads users to the information sought.

The city's housing pages should also be coordinated to work more closely with the activities of community groups such as the Fair Housing Council of Riverside County and Riverside Partners in Home Ownership. Home ownership education activities should be highlighted and promoted.

16. Allow city departments more control over their portions of the website.

The city's information contractor should also continue to expand its training programs to allow individual departments to control and update their departments own web pages to insure accurate and timely information is being presented.

17. Create an interactive housing website

The City should also consider using the website, or Riverside Community Online, to host a page which would give residents quick, accurate information on home-purchase programs and their eligibility for them. The site should enable a visitor to type in his or her own figures for income, family size, down payment availability, and special eligibility circumstances such as age or employment as a teacher. The computer would then give the visitor links to programs they are eligible for, such as the Down Payment Assistance Program.

In cooperation with private lenders, it might be possible to include these institutions' lending programs. This would significantly increase the amount of work involved in gathering this information and making sure it is current as well as consistent from lender to lender. Staffing costs will be a consideration. This could be considered part of the function of the marketing director.

18. Heavier involvement in homebuyer education programs

Many residents, especially in the Hispanic community, are not familiar with the home-buying process. They do not understand the financial potential of owning a house or the purpose of such complicated processes as escrow or title insurance.

Currently, groups such as Riverside Partners in Home Ownership and the Fair Housing Council of Riverside County conduct educational programs to familiarize residents with the benefits and processes of home buying. The city has supported these efforts but ways should be found to expand them and to insure that they are available in both English and Spanish.

For example, RUSD can provide information about whether parents of its children rent, giving the city the ability to create targeted mailing lists for announcements about home ownership seminars.

19. Videotaping home buyers seminars

The Task Force began, but did not complete, the process of examining a partnership with Bank of America to videotape a series of home buyers' seminars conducted in both English and Spanish. The series would then be broadcast on Riverside's public access channels and made available on videocassette through community groups, churches, real estate groups, schools and other organizations.

This process should be pursued by the Development Department.

20. Home ownership marketing piece

The Development Department should create a home-ownership marketing piece aimed at people of all socioeconomic groups to complement the materials aimed at employers. The Development Department currently produces brochures to attract employers to the city. A companion piece should be created which acquaints both the

employer's owners or managers and the employees with the possibilities of buying a home in Riverside.

#### 21. Expand the At Home in Riverside program

The city's Office of Neighborhoods coordinates a highly successful program (At Home in Riverside) to educate Realtors about the city's schools by conducting bus tours of the campuses.

This program should be expanded to ensure Realtors know about all of the assets of the community. It should include information on arts and entertainment programs, churches, youth sports programs, community programs, parks, the city's diverse housing stock and lower utility costs.

#### 22. Educate the Development Community

Given the city's reputation mentioned under Suggestion 2, an active campaign to change the perceptions of the development community should be initiated.

Representatives of the Development Department should seek out speaking opportunities at meetings of the Building Industry Association groups throughout Southern California. They should produce lists of developers, architects, engineering firms and others who specialize in high-density retail and mixed-use development. In communicating with these kinds of groups, they should present the city's new permitting process and also speak of the kinds of projects the city is seeking to encourage and would, in the right circumstances, be prepared to incentivize.

These would include:

Condominium projects - including projects on lands bordering Tequesquite Arroyo or the Santa Ana River which could offer river-bottom views or amenities as a draw.

Higher-density projects could stay within overall density guidelines by providing common areas while clustering housing around a common park-like space.

### Financing

#### 23. Maximize use of RDA 120% funds for down payment assistance to reach larger number of home buyers.

Currently, the amount of money available for down payment assistance to people making between 80% and 120% of the median income is limited. In some years, it is non-existent. This money comes from federal Redevelopment funds, which must also be used for other programs, such as low-income seniors' apartments. If funds whose benefits are limited to people making less than 80% of the median could be used for the latter projects, then more money would be freed up for down payment assistance to people in the 80% to 120% range. Given the economics of Southern California, the number of households which make less than 80% of the median income and could still make a monthly mortgage payment even with down payment assistance is very small. Above 80% of median income, the number of households which can afford to carry a mortgage begins to rise substantially.

24. Increase the percentage of Tax Increment Dollars from redevelopment areas that are set aside for housing.

Currently, state law mandates that 20% of tax increment dollars from redevelopment areas be used for housing programs. But that figure is a minimum. The city could, and should, use a higher percentage of these funds for housing programs. This is a moot point at the moment because most city redevelopment areas are not generating any tax increments. But as tax increment funds become available in the future, a higher percentage should go to housing.

## **Other**

25. Create a registration/regulation system for rentals

Owners of rental properties in the city are in business just as much as a manufacturer, a retailer or a service firm. Yet, most do not obtain business licenses from the city. Thus, the city has no way of establishing basic information about residential rentals.

The city should use county property tax records to create a list of residential property owners and inform them of this regulation.

26. Require that all multi-family housing constructed in the city have plumbing, electrical and other systems designed and built to allow conversion to condominiums.

Such a system will make it easier if and when apartment owners decide to proceed to conversion.

27. Increase level of incentives for apartment rehabilitation, especially in areas near UCR.

UCR students increasingly are turning single-family houses in the university area into multi-tenant rentals. Providing enough acceptable apartment units is the best way to draw them out of the single-family houses, making the houses available to owner-buyers.

28. Stricter parking regulations, including parking permits, in the areas around UCR.

Limiting the number of vehicles which can be parked at or near any one residence will discourage student use of single-family houses.

## **A Note on Apartments**

While dedicated to promoting home ownership, the task force recognizes that several kinds of rental housing will remain necessary for the city. These should be approved even though such projects will make achieving the purely statistical goals of this task force more difficult. For various reasons, from lifestyle to finances, some people will rent. If appropriate apartment options are available to them, then they will be less likely to rent a single-family home. Thus, more single-family homes will be available for purchase by someone who intends to live there.

There are at least three kinds of apartment options that should be encouraged in the city to help increase single-family home ownership.

### First - Apartments aimed at UCR students.

UCR currently has approximately 14,000 students and provides space for about 3,800 in its dormitories and other housing. By 2015, the campus master plan calls for 25,000 students with somewhere between 35% and 50% housed on campus. Even the 50% level would put roughly 2,300 additional students into the local housing market. The lower figure would put over 6,000 more students into off-campus housing.

The campus is constrained by various state rules. State education funds are reserved for classrooms, salaries and other educational purposes. They may not be used for housing or parking on campuses. Housing must pay for itself. Traditionally, UC campuses have done this by borrowing money to build dormitories and using student dorm fees to pay off the bonds. However, each UC campus has a borrowing limit and UCR is near its limit. Thus, it is looking at possible partnerships with private sector developers or other ways to build housing facilities.

Because of these uncertainties, Riverside's Planning Department considers it unlikely UCR actually will be able to provide housing for more than 30% of its students. That would put approximately 7,300 more students into the local housing market by 2015 than are there currently. This would point to the need for roughly 2,000 to 2,500 more apartment units.

Although no firm numbers are available, anecdotal information indicates houses in the area near UCR are being converted to multi-tenant rentals with four, five, six or more students renting a house. This has led to parking and traffic problems.

Students, especially undergraduates, are highly unlikely to be homebuyers. Drawing them out of single-family homes by providing alternatives makes those homes available to potential owner-occupants.

### Second – High-end rentals

A major piece of the city's economic development strategy is attracting, or encouraging the creation of, high-tech employers.

These will provide high-paying jobs that will increase the economic health of the city and provide the impetus for additional retail and entertainment alternatives which will increase all residents' quality of life.

Many of these jobs will be held by young, technically savvy people who are not ready to commit to home ownership.

The city should insure that rental complexes with a high level of quality and amenities are available to serve this market.

### Third - Large-family units for low-income households

One significant factor in the rental demand for single-family houses is that few large apartments are available in the city. Large or extended families cannot be accommodated within the apartment market. Thus, these families turn to renting homes.

The provision of three-, four-, and five-bedroom apartments in low- to moderate-income developments around the city is a necessity.

## The Region

Some housing issues that affect Riverside are being handled on a regional basis.

29. Support efforts by Riverside and San Bernardino counties to reduce pressures for much of Southern California's affordable housing to be designated for this area.

The state Housing Development Department, seeking to meet goals for affordable housing, assigned a target number to Southern California. The Southern California Association of Governments (SCAG), basing their calculations on existing housing prices, ruled that most of that housing would be pushed into Riverside and San Bernardino counties. The two counties have sued SCAG. SCAG, in turn, has sued the state. But, in doing so, SCAG has argued merely that the inland counties' affordable housing quotas should be reduced without offering a commensurate increase in the coastal counties' share of the affordable housing quota. This makes it less likely Sacramento will accept SCAG's argument.

If such quotas get established, it will make it more difficult for inland cities to build balanced communities and continue to attract homeowners.

30. Work with SCAG to develop a regional policy for housing-set asides or in-lieu affordable housing fees.

The rationale for this is similar to Suggestion 3. It would encourage more balanced residential development across the region. Its primary goal would be to insure that more of the region's need for affordable housing is met in the coastal counties. But it would also provide funds for Riverside and other inland cities to help with affordable housing development in this area.

31. Support continued cooperation between Riverside County and its cities to ensure compatible design standards and adequate provision for municipal services.

A number of cities in western Riverside County, including Riverside, sued the county to force a discussion of county practices in approving new residential developments. That discussion is now taking place.

The cities felt that the county planning process allowed housing developments which were not compatible with those of the cities whose zones of influence included the housing development. In addition, the cities argued that the county was not making adequate provision for libraries, parks and other services. Thus, residents in these county developments were overloading these services in nearby cities and lowering the quality of services there.

32. Create regional mortgage insurance pool.

The city should work with other government agencies in county, Inland region and state to develop a pooled mortgage insurance program.

Mortgage insurance, an additional cost for mortgages where a down payment less than 20% is made, adds to the monthly payment for virtually all middle and lower income buyers. A pool could be made available to entry-level home buyers at a lower cost than private mortgage insurance.

### 33. Stricter prosecution of mortgage fraud and related crimes

A large percentage of Riverside's pool of potential home buyers is Hispanic. Many of these families are inexperienced in the home-buying and borrowing process and have been victimized by unscrupulous operators, especially lenders. If the city is to encourage these residents to become homeowners, it must urge the district attorney's office to be more aggressive in investigating and prosecuting mortgage fraud and related crimes. Otherwise, word of mouth will discourage many potential home buyers from even trying the process.

## The State

### 34. Repeal or modification of S.B. 975

S.B. 975, which went into effect January 1, 2002, substantially widened the definition of projects that fell under the state requirement to pay prevailing wages, which are defined in such a way that they are higher than what is commonly paid in the marketplace.

Under its provisions, virtually any government involvement in a project triggers the necessity to pay prevailing wages. The additional costs of these wages to private sector contractors often completely wipes out the benefits of whatever incentives the city or other government agency is able to offer a developer. Thus, it effectively removes a city's ability to offer such incentives.

### 35. Consideration of tax incentives for infill

As noted above under the discussion of density, the state is considering various punitive measures which would pressure a city to quit expanding along its edges. The state should also offer incentives to cities which are prepared to expand internally through greater density. Such incentives could encourage the development of infill projects or condominiums by offering tax incentives to developers.

### 36. Encourage state to increase income limits for Cal Home Funds and allow the programs to operate city-wide.

The City participates in the states Cal Home program, but the program is unnecessarily limited. It is limited to people making less than 80% of median income which limits the number of people who can participate. In addition, it is limited to certain "distressed" census tracts. While this is a nice policy goal, it doesn't translate into reality very well. Generally, the housing stock in a distressed census tract area is pretty bad and it takes a lot more than a down-payment assistance program to convince someone to buy a home there, especially when there are other areas to choose from. It would make more sense to allow this program to operate in all census tracts.

## The Federal Government

### 37. Encourage HUD to increase the limit for Federal housing funds (currently 80% of median income), especially for high cost housing areas such as Southern California.

Given the high prices of housing in Southern California, the financial limits in federal housing programs often make them irrelevant. For example, 80% of the median

household income in Riverside County is roughly \$32,000. The mortgage payments possible on that income will get you into housing in many areas of the country. In Southern California, very few houses are available at prices that such an income can afford, even with government down payment aid. In Riverside, a household income of \$32,000 translates into the ability to buy a house worth no more than \$150,000 *assuming the household has no other debts, such as car payments or credit card bills*. There are very few houses in Riverside selling for less than \$150,000. The median price for an existing home during the first quarter of this year was almost \$190,000. A house priced at \$150,000 or less is likely to be small or need repairs or rehabilitation which add to the real cost of buying the house.

38. Encourage HUD to allow higher debt ratios when calculating loan eligibility.

Private lenders currently are allowing debt, including housing, car payments and similar costs, to come up to 45% of income while HUD regulations limit the percentage to 30 to 35%. Higher borrowing limits, so necessary in this market, will give more local residents access to HUD programs.

39. Encourage institutional investors, such as Fannie Mae, Ginnie Mae and Freddie Mac to increase their portfolio of loans with lower credit scores, but who are otherwise good borrowers .

Private lenders are accepting lower credit scores in circumstances where borrowers can show income through non-traditional forms of proof – such as rent receipts, steady earnings records or proof of family and residence stability. The institutional investors should be encouraged to do the same. These investors are one of the keys to the mortgage lending market. Most mortgage companies, banks and other lenders these days do not keep a loan after they make it. Instead, they sell the loan. Fannie Mae, Freddie Mac and Ginnie Mae are the three biggest buyers of such loans and the terms under which they are willing to buy play a large part in determining the terms of the loans made to homebuyers.



## **Non-housing Initiatives**

Creating greater home ownership in Riverside is not merely a function of housing programs and building codes. There are a number of other community institutions and initiatives which the Task Force believes are central to making Riverside a place where homeowners want to live and contribute to the community.

### **Schools**

Parents across Southern California are concerned with education and many will make housing decisions based on the quality of the education their children can receive. School systems that are not merely acceptable, but superior, would provide a tremendous drawing card for the city. The relationship between strong schools and stable living patterns can be seen clearly in the figures on student transiency and academic performance. Stable home ownership patterns will promote better schools and vice versa.

National housing patterns show that it is couples in their 30s who are both highly likely to buy a home and to have young children. In Orange County, the predominant source of outside buyers for Riverside County houses, more people were born in the 1960s, currently ages 33-42, than in any other decade. School considerations will play a large role in where these people decide to live.

While the Riverside Unified and Alvord Unified districts have improved their test scores in recent years, they still lag when compared with similar schools statewide. Only eight of RUSD's 27 elementary schools, none of its middle schools and only one of five high schools is better than average on the state's Academic Performance Index. Most are below average. Alvord does somewhat better, with five of 12 elementary schools, two of three middle schools and one of two high schools making above average grades. Administrators and supporters point to the exciting programs and fine new facilities on many Riverside campuses. But it is a fact of life that potential homeowners will check standardized test scores and only three schools at all levels of either school district were in the top 30% of similar schools statewide.

Every effort should be made by all sectors of the community to continue to improve the Alvord Unified and Riverside Unified school districts.

### **Quality jobs and Job Training**

Home prices in the city of Riverside have been rising steadily for the last several years. This is an economic boon for existing homeowners, and not a significant barrier to those moving into the city from areas such as Orange County – where prices are significantly higher.

But rising home prices are a daunting obstacle to converting existing resident renters into homeowners. As a city, we must make every effort to insure our fellow citizens have high-paying skills and the opportunity to use those skills close to the home we hope they will buy here.

The city Development Department's efforts to bring in high-quality, high-paying jobs should be encouraged. Higher income levels among residents would lead to higher home-ownership rates.

At the same time, we must recognize that many of our fellow citizens do not have the skill levels to hold down these jobs. After all, 23.5% of the city's residents have less than a high school education, according to the 2000 census. Training programs from the city and the county's Workforce Development Board should be targeted to improve the skills of these residents.

## Code Enforcement

The city's recently passed Exterior Structure Maintenance Ordinance is an excellent first step towards improving the housing stock of the city. Properly maintained houses, apartment buildings and neighborhoods will attract better residents, promote neighborhood and civic commitment and protect the lives and health of the city's residents. Strong code enforcement keeps structures and neighborhoods from deteriorating so far that home buyers are not willing to purchase there.

## SmartHome Initiative

Under the SmartHome Community Initiative, Riverside Community Online and the City of Riverside strongly encourage builders of new housing to install a basic wiring package which will allow residents to enjoy vast improvements in working from home, remote education for children and adults, home entertainment, home security, energy efficiency, time management, and a host of other areas.

Builders who build to those specifications enjoy the use of the "Riverside SmartHome Community" seal of approval logo in all forms of their advertising.

The builder gains the ability to attract a higher classification of homebuyer and active participation in the improvement and advancement of the community. The homebuyer receives better and faster access to information, entertainment, and educational opportunities and better resale value. And the community attracts professionals who will seek and secure higher wage jobs, thus making the area more attractive to larger, better employers and increased telecommuting, which will decrease traffic congestion and air pollution.

## Air and Water Quality

One barrier to home ownership in Riverside, and all of the Inland Empire is the perception of the region as Smog Central. City representatives to the South Coast Air Quality Management District and other agencies and institutions which deal with air quality should recognize that smog has negative effects beyond health and the environment. It has significant impacts on the quality of life in this region and thus on the city's ability to attract employers and home buyers.

Water quality does not have the current negative image of our air. But concerns about water quality are growing and city officials should take pains to protect the city's reputation for both the quality and the quantity of water.

## Public Safety

Providing a feeling of personal security is indispensable to a city which seeks to attract more homeowners and convert current renters to homeowners. Fire services must be maintained and police services must present an image of being both effective and fair.

## Visioning

The city's Planning Department has embarked on a program of "visioning" what Riverside could be by drawing comments from a wide range of residents. The housing market in any city is conditioned by the city's vision of itself. The city's current visioning process should give strong presence to housing and how to promote home ownership. It should also seek to identify problems and opportunities in individual neighborhoods and to work on issues, such as gateways, which affect visitors' perceptions of the city.

## **Summary**

As the figures from the 2000 census are revealed, we realize more and more how much this city is changing. A city is the sum of its residents, and of their commitment to the city and its future. There is no better way to insure residents' commitment to a city than to make them home owners.

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## **Footnotes**

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<sup>1</sup> Department of Justice, Bureau of Justice Statistics, Crime Statistics, 2000.

[http://www.ojp.usdoj.gov/bjs/cvict\\_c.htm#findings](http://www.ojp.usdoj.gov/bjs/cvict_c.htm#findings)

<sup>2</sup> Hentschke, Gilbert C. *Student Transiency, School Accountability, and Achievement in Large Urban School Districts*, Center for Urban Education, University of Southern California.

<sup>3</sup> "More Cities Look Inward for Growth," Los Angeles Times, May 5, 2002, p. B1.

<sup>4</sup> City of Riverside, 2000-2005 Housing element, Cotton/Beland/Associates, January 2001